

Bath & North East Somerset Council

MEETING: **Council Executive**

DATE: **12th July 2006**

PAPER
NUMBER

TITLE: Capital Review and Value For Money Check (and
Implications for the Service Planning Process)

EXECUTIVE FORWARD PLAN
REFERENCE:

EWP E1373

WARD: All

AN OPEN PUBLIC ITEM

List of attachments to this report:

APPENDIX 1: High Level Value for Money Check (with five Annexes)

APPENDIX 2: Capital Review Part 2 - A Framework for Capital Investment Planning and Management (with six Annexes)

1. THE ISSUE

- 1.1. This report provides information for the Executive to consider and approve proposals arising from the initial findings of the high level value for money check and Part 2 of the Capital Review. This includes suggestions for the service planning process for 2007-08 onwards.
- 1.2. The reports are considered together as they have implications for the service and resources planning process. A report on the service planning process as a whole will be brought to the Council Executive in September 2006.

2. RECOMMENDATIONS

That, in relation to the value for money check, the Council Executive:

- 2.1. Notes that the Council has a consistent track record of being among the lowest 25% of unitary authorities in terms of spending per head with an average Council Tax and since the introduction of the Comprehensive Performance Assessment in 2002 has been continually assessed as a three star (good) Council by the Audit Commission.
- 2.2. Recognises that differences in performance and cost can arise from differences in the needs, local circumstances and choices made by different authorities.
- 2.3. Acknowledges the higher costs in Education and Waste and that this is intentional and results in higher performance.
- 2.4. Acknowledges further analysis needs to be carried out through the service planning process to link costs to performance and corporate priorities.

- 2.5. Requires all services to ensure appropriate and proportionate arrangements are in place to ensure and demonstrate value for money and that these be incorporated in service plans for 2007-08 onwards.
- 2.6. Requires services that appear to have higher costs to demonstrate that this is due to local circumstances, better performance and are a high priority in their service plans.
- 2.7. Requests the Overview and Scrutiny Panels to consider the high level value for money check relevant to their services with a view to initiating more in-depth consideration of selected service areas and functions as part of their work programme.
- 2.8. Agrees that Directors and Executive Members develop more detailed service and financial planning parameters to inform and provide focus to service and financial planning in 2007-08 onwards within the agreed corporate priorities of the Council.
- 2.9. Notes that the service and financial planning parameters aim to provide guidance over costs and service levels/performance over a period of time.
- 2.10. Agrees that the Directors' Group and Informal Executive identify 1-2 specific, discrete, self-contained and discretionary areas where zero-based budgeting can be further piloted with a view to reporting back in summer 2007.

That, in relation to the Capital Review - Part 2, the Council Executive:

- 2.11. Approves the Capital Strategy 2006-07 to 2008-09 at Appendix 2, Annex 1.
- 2.12. Notes that the Executive will approve the current Corporate Property Asset Management Plan elsewhere on the agenda for this meeting.
- 2.13. Annually updates and approves the Council's Capital Strategy and Corporate Property Asset Management Plan in the light of changing circumstances, priorities, resources and affordability as part of the corporate, service and financial planning process.
- 2.14. Confirms the need for longer term, strategic capital programme planning and delegates to the Assistant Director - Support Services (Finance) in consultation with the Informal Executive, Project Programme Board and Directors Group to develop:
 - The inclusion of a 5-year capital programme and indicative needs over 10 years and 20 years in service plans.
 - A framework for decision-making in order to balance affordability of the capital programme in revenue terms, new projects, supporting the revitalisation of the area, and maintenance of current assets.
- 2.15. Approves the project initiation and deliverability process as set out in Appendix 2, Annex 2 and notes the further detailed development work to be carried out in time for the next service and financial planning cycle.
- 2.16. Approves the Terms of Reference of the Project Programme Board (PPB), Project Initiation and Deliverability Group, and the Capital Strategy and Asset Management Group (CS&AMG) as set out in Appendix 2, Annexes 3, 4 and 5.

- 2.17. Requests PPB & CS&AMG to develop formal criteria for prioritising capital projects and programmes.
- 2.18. Notes the proposals for improving reporting to the Project Programme Board by end of September 2006 and that the Assistant Director Support Services (Finance) reflect these new arrangements in reporting to Directors' Group and the Council Executive.
- 2.19. Approves the approach to value for money within the future capital programme and that this is implemented for all new schemes due to start from 2007-08.
- 2.20. Notes the draft timetable for capital programme planning as set out in Appendix 2, Annex 6, which will need to be incorporated into the overall service planning timetable.

3. FINANCIAL IMPLICATIONS

- 3.1. There are no direct additional financial implications from the proposals.
- 3.2. Although the proposals in the Capital Review are already at an advanced stage of development, there will be a period of 3 months of intensive effort to agree processes and documentation and to then to implement them. This will need to be met from existing resources and prioritising the work.
- 3.3. It should also be acknowledged that the proposals in this report do require additional management and Member time. However, it is suggested that:
 - Strengthening arrangements to demonstrate and improve value for money for service users and taxpayers is a key priority in increasing customer satisfaction.
 - Given the size and complexity of the current and future capital programme, the proposed framework and action plan are sensible and proportionate to ensuring scarce resources are aligned to corporate priorities and improving the delivery of projects.
- 3.4. The processes proposed are designed to inform members' and officers' decision-making in a more systematic way.
- 3.5. Nevertheless, the Council Executive and Directors will need to keep the processes under review to ensure that they are understood and operate effectively with a view to refining them over time.

4. THE REPORT

Introduction and Background

- 4.1. The Council has always strived to improve its corporate processes to ensure an alignment between agreed corporate priorities, resources, efficiency and value for money. This includes learning from best practice identified by professional bodies, staff and managers, the Audit Commission, external auditors, and inspections.
- 4.2. To this effect, at its budget meeting on 21 February 2006, the full Council approved a high level check of the cost and performance of services to be carried out and reported to the Council Executive in July 2006. The intention of

the value for money (vfm) check, apart from being good practice, is to identify where further consideration of value for money is needed and to inform and service and financial planning for 2007/08 onwards. The vfm check is merely a starting point to focus future planning and to check that higher spending results in better performance and/or reflects local circumstances.

4.3. In addition, the Executive and Council in February 2006 received an interim report on the Capital Review. The initial report focused on:

- Increasing capital receipts to make up for falling housing capital receipts and reduce unsupported borrowing.
- Amending the current Capital Programme to ensure greater affordability and achievability.

4.4. As a result, the Council approved a programme that reduced its unsupported borrowing from £65m to £30m over 4 years.

4.5. This initial Capital Review also identified a number of processes used to develop and manage the capital programme which need to be strengthened, including:

- Links to corporate priorities - the current programme is attempting to meet a multitude of ambitious objectives at the same time, including some significant major projects, development projects and transport and housing needs. Future capital investment needs add to this, for example, further development aspirations, transport, waste, WorkSMART.
- Affordability - the Council needs an explicit framework to balance the pressures on revenue and capital budgets in the future.
- Considering more explicitly the balance between the maintenance of existing assets, new service-based projects and re-development/revitalisation projects.
- The accuracy in the phasing of scheme costs and forecasting expenditure.

4.6. Officers have taken the opportunity to integrate the recommendations identified through these two reviews into the service and resources planning process for 2007/08 onwards. This will provide an improved focus on linking performance, priorities, resources and value for money.

4.7. The Council Executive will receive a fuller report on the whole of the service and financial planning process for 2007-08 onwards at its meeting in September 2006. This report limits itself to the improvement to the service and financial planning process arising from the two reviews that are the subject of this report.

Structure of the Report

4.8. Appendix 1 contains the initial outcomes and proposals from the high level value for money check. This includes:

- Initial evidence to support value for money in terms of cost and performance comparisons at an overall spending level and in major service areas.
- Proposals for developing more specific Service and Resources Planning parameters in terms of cost, performance, and timeline to give those doing the planning a more focused steer.
- Using the evidence to commission further work as part of the service planning process in relation to high cost/low performing/low priority services.
- Proposals to further strengthen consideration of value for money within the revised Service and Resources Planning processes.
- A request for Overview and Scrutiny Panels to consider further work on value for money in relation to the services in their remit.

4.9. Appendix 2 contains the findings and the proposals from the capital review. This includes:

- The approval and annual review of a Capital Strategy and Asset Management Plan.
- Strengthening corporate processes for project initiation and assessment of deliverability in order to ensure the projects are well founded, realistic and deliverable.
- Strengthening corporate processes for capital planning to identify, prioritise and match resources to needs and ensuring value for money.
- Strengthening corporate reporting processes to manage/co-ordinate the capital programme in terms of total scheme costs, phasing of costs, risks, emerging issues, contingencies and forward programme issues.

4.10. Much of the documentation to support these recommendations has been developed in draft to such a stage that it needs to be considered by the groups involved in developing and taking an overview of the programme. As these are matters of detail and process they have not been included in the report or in Appendix 2.

5. RISK MANAGEMENT

5.1. The proposals are consistent with the Council's decision-making risk management guidance and includes consideration of risk in:

- Service Plans and service-level risk registers.
- Capital programme project initiation, business cases and Project Execution Plans.

5.2. The Council's overall risk management strategy and processes have been reviewed (together with the Corporate Risk Register) and reported to the Council Executive at its meeting in June 2006.

5.3. The Council's capital and revenue budgets are also subject to a formal Director's Review for robustness and risks and upon which the Council's s151 officer (the Strategic Director Support Services) gives assurances and makes recommendations on the adequacy of reserves.

6. RATIONALE

6.1. The proposals aim to:

- Strengthen the current corporate processes, further develop priorities and align resources to those priorities.
- Build in consideration and evidence of value for money more explicitly into priorities and resource allocation.
- Reflect best practice, including that contained in the Comprehensive Performance Assessment.

7. OTHER OPTIONS CONSIDERED

7.1. Various options have been considered and tested by the officers involved in developing these proposals.

8. CONSULTATION

Overview and Scrutiny Panels/Other Committees

8.1. The Major Project and External Bodies Overview and Scrutiny Panel, at its meeting on the 23rd May 2006, considered the proposed process for initiating capital projects (Agenda Item 9). After thorough consideration the panel agreed that the process was necessary. The Panel also asked that the following points be considered when developing the process. Officer responses are also contained in the table below.

Major Projects & External Bodies O&S Panel Comments on the Capital Project Initiation Process	Officers Comments/Responses
Not to allow the process to become too bureaucratic	Agreed. There is a balance to achieve between due process and the size of the programme and risks and linking these to corporate priorities. Officers will work hard to make the process proportionate to the size of projects and risks.
The process can be subjective	This cannot be avoided completely as the choice and priority of projects is a judgement. However, it should be minimised by allowing project sponsors to score their project against agreed criteria and for this to be challenged and agreed by the Project Initiation and Deliverability Group. The proposed process also provides sufficient checks and balances (through

Major Projects & External Bodies O&S Panel Comments on the Capital Project Initiation Process	Officers Comments/Responses
	PPB, Directors' Group and the Executive) to ensure subjectivity is minimised.
Ensure the process includes member involvement	Two Executive Members are proposed to co-chair the Capital Strategy and the Asset Management Group. In addition, the project initiation form needs to be approved by the relevant Executive Member. Finally, the proposed programme will go to O&S panels as part of the process.
Concern about the number of Groups involved and the cost/time involved in the process	This may be so the longer term. The groups have quite distinct roles. Once criteria, strategies and a cycle have been completed it is wise to reconsider the number of groups.
The £500k threshold should not prevent smaller but high risk projects being scrutinised.	Agreed. The £500k limit is an initial filter but should not be a rigid limit. All projects and programmes will go through the project initiation process but those over £500k that are prioritised against available resources will undergo a business case and project execution plan.
Concern about the numbers and cost of bids, feasibility studies and use of consultants	Agreed. The checks and balances include a steer from the Capital Strategy and Asset Management Group on available resources.
Officers consider the freedom of information implications of the process	Agreed. This will be done in developing the detail of the process.

8.2. The Resources Overview and Scrutiny Panel, at its meeting on the 25th May 2006, considered a report on integrating value for money considerations into the capital and revenue budget development as part of service planning. It requested that:

- The Directors' Group and the Council Executive identify one or two small, discrete and discretionary areas of service to again pilot Zero Based Budgeting and that these reviews start in the current financial year and report back in summer 2007.
- It receives the value for money check at its meeting in July 2006.

8.3. In January 2006, the Corporate Audit Committee set up a small working group to investigate how members can get more engaged in the CPA Use of Resources, in particular value for money. This sub-Group will be reporting to the Audit Committee in due course.

8.4. This report also recommends that the Executive request the Overview and Scrutiny Panels to consider the high level value for money check relevant to

their remit with a view to initiating more in-depth consideration of selected service areas and functions as part of their work programmes.

Other Groups

- 8.5. The capital review and the proposals arising from it have been considered and agreed by the Project Programme Board (PPB) at its meetings in April and June 2006.
- 8.6. The Directors' Group considered and agreed the high-level project initiation process.
- 8.7. PPB and the Directors' Group considered and agreed the Capital Strategy and Asset Management Plan at their meetings in March 2006.
- 8.8. Both groups will continue to be involved as the proposals are developed further.

Other Officers

- 8.9. The Finance Manager (Development and Major Projects) undertook a number of meetings with relevant Heads of Service and colleagues involved in the capital programme. In general there was positive support for the process to ensure the capital programme is linked to priorities, properly planned and managed. There were also some concerns, including:
 - Timing of the process vis-à-vis bids to government departments.
 - Duplication of information for the Council's process and for bids to government departments.
- 8.10. Other officers have also been involved in the development of the proposals and in the development of the detail of the process e.g. documentation.
- 8.11. Finance Managers have consulted with their relevant Directors and service managers about the initial value for money check.

Statutory Officers

- 8.12. The Chief Executive, the s151 Officer and the Council's Solicitor have approved this report.

9. REASONS FOR URGENCY

- 9.1. None

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<i>Background Papers</i>	<p><i>Value for Money Check</i></p> <p>Audit Commission Value for Money Profile 2004/05 & 2005/06 Section 52 Statements 2005/06 DfES Dept of Health – Performance Assessment Framework data IPF Benchmarking data for creditors, debtors, accountancy, benefits (2004 & 2005) Minutes of the Corporate Audit Committee January and April 2006.</p> <p><i>Capital Review – Part 2</i></p> <p>Report to Resources Overview and Scrutiny Panel, “Process – Value for Money and Zero Based Budgeting,” 25th May 2006 Report to Major Projects and External Bodies Overview and Scrutiny Panel, “Initiation of Capital Projects,” 23rd May 2006 "Rome wasn't Built in a Day", Audit Commission 1997 External Audit review and follow-up of project management arrangements (2005 and 2006) Draft Project Initiation Template Draft Project Management Handbook Draft reporting templates for Project Programme Board Draft Capital Programme Business Case Draft Project Execution Plan Current quarterly capital monitoring reports to the Council Executive</p>